

# Quarterly presentation Q3 2005

## Kitron ASA



27 October 2005





# Falling sales

[www.kitron.com](http://www.kitron.com)

- **Operating profit**
- **Satisfactory gross margin**
- **Weak pre-tax result**
- **Lower cost base – in line with target**
- **Simpler structure in Norway**
  - Activities in Arendal concentrated at one site – manufacturing unit in Oslo shut down



# Highlights Q3

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- **Operating income NOK 331.4 mill (2004: NOK 381.0 mill)**
- **Gross margin 39.6% (2004: 37.7%)**
- **EBITDA NOK 12.3 mill (2004: NOK 14.8 mill)**
- **EBIT NOK 4.1 mill (2004: NOK 5.3 mill)**
- **Cash flow from operations negative at NOK 17.1 mill (2004: negative at NOK 47.1 mill)**
- **Pre-tax loss NOK 1.4 mill (2004: profit NOK 0.8 mill)**
- **Order backlog NOK 768 mill (2004: NOK 811 mill)**

# Financial information Q3 2005





# 2004 measures having desired effect

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- **In line with Kitron's plans**
  - Costs cut by NOK 10.1 mill during the quarter
  - Total cost reduction of NOK 66.3 mill in first nine months
- **Net financial expenses NOK 5.6 mill (2004: NOK 4.6 mill)**
  - Currency loss came to NOK 1 mill
  - Further reduction in interest-bearing debt
    - NOK 63.5 mill (2004: NOK 99.1 mill)
- **Balance sheet trimmed by NOK 125.3 mill**



# Interim report Q3 2005

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Profit & loss (NOK mill)	Q3 2005	Q3 2004	30.09.2005	30.09.2004	31.12.2004
Operating income	331,4	381,0	1 132,9	1 286,9	1 748,0
Cost of material	200,3	237,3	672,8	779,2	1 062,1
<b>Gross profit margin</b>	<b>39,6 %</b>	<b>37,7 %</b>	<b>40,6 %</b>	<b>39,5 %</b>	<b>39,2 %</b>
Payroll expences	91,1	95,9	336,7	378,3	528,2
Other operational expences	27,7	33,0	88,4	113,2	148,6
Restructuring costs	-	-	-	24,2	24,2
<b>EBITDA</b>	<b>12,3</b>	<b>14,8</b>	<b>34,9</b>	<b>-7,9</b>	<b>-15,0</b>
Ordinary depreciation	8,2	9,4	23,6	26,9	36,5
Write-down of goodwill	-	-	2,1	-	1,7
<b>Operating profit/loss (EBIT)</b>	<b>4,1</b>	<b>5,3</b>	<b>9,3</b>	<b>-34,8</b>	<b>-53,3</b>
Net financial costs	5,6	4,6	17,5	17,6	18,5
<b>Profit/loss before tax</b>	<b>-1,4</b>	<b>0,8</b>	<b>-8,2</b>	<b>-52,4</b>	<b>-71,8</b>
<b>Taxes</b>					<b>2,0</b>
<b>Profit/loss after tax</b>	<b>-1,4</b>	<b>0,8</b>	<b>-8,2</b>	<b>-52,4</b>	<b>-73,8</b>
Earnings per share	-0,01	0,01	-0,06	-0,40	-0,56
Diluted earnings per share	-0,01	0,01	-0,06	-0,40	-0,56



# Highlights – balance sheet

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- **Total balance sheet of NOK 602.5 mill** (2004: NOK 727.8 mill)
- **Equity NOK 168.7 mill** (NOK 145.4 mill)
  - Equity of 28.0%
- **Capital tied up in inventory cut to NOK 248.7 mill** (2004: NOK 303.9 mill)
- **Accounts receivable of NOK 109.9 mill** (2004: NOK 162.6 mill)
  - Sale of accounts receivable NOK 175.7 mill (2004: NOK 213.9 mill)
- **Deferred tax benefit of NOK 20.0 mill** (2004: NOK 20.0 mill)
- **Capitalised interest-bearing debt NOK 63.5 mill** (2004: NOK 99.1 mill)
- **Remaining restructuring provision for Kitron Kongsberg NOK 4.0 mill**



# Balance sheet – Assets

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<b>Balance sheet (NOK mill)</b>	<b>30.09.2005</b>	<b>30.09.2004</b>	<b>31.12 2004</b>
Deferred tax credits	20,0	20,0	20,0
Other intangible fixed assets	19,6	19,2	21,7
Fixed assets	108,4	123,4	120,6
Financial assets	6,6	13,1	8,5
<b>Total fixed assets</b>	<b>154,6</b>	<b>175,7</b>	<b>170,8</b>
Inventory	248,7	303,9	246,4
Accounts receivable	109,9	162,6	130,8
Receivable	58,2	64,0	33,8
Funds available	31,0	21,7	30,1
<b>Total current assets</b>	<b>447,8</b>	<b>552,1</b>	<b>441,1</b>
<b>Total assets</b>	<b>602,5</b>	<b>727,8</b>	<b>611,9</b>





# Balance sheet – liabilities and shareholders' equity [www.kitron.com](http://www.kitron.com)

<b>Liabilities and shareholders' equity</b>	<b>30.09.2005</b>	<b>30.09.2004</b>	<b>31.12 2004</b>
Paid-in equity	155,7	133,5	116,7
Retained earnings	-	-	-
Minority interests	13,0	12,0	12,6
<b>Total shareholders equity</b>	<b>168,7</b>	<b>145,4</b>	<b>129,2</b>
Pension commitments	31,9	35,6	31,5
Provision for liabilities and charges	7,0	7,3	13,8
Debt to credit institutions	12,6	14,2	16,2
Other long term debt	13,9	27,3	22,8
<b>Total long term debt</b>	<b>65,3</b>	<b>84,4</b>	<b>84,3</b>
Debt to credit institutions	51,0	84,9	17,3
Provision for liabilities and charges	3,0	15,8	5,9
Other short term debt	314,5	397,3	375,2
<b>Total short term debt</b>	<b>368,5</b>	<b>498,0</b>	<b>398,4</b>
<b>Total liabilities and shareholders' equity</b>	<b>602,5</b>	<b>727,8</b>	<b>611,9</b>
Financing of accounts receivable as at 30.09.2005	175,5	213,9	223,0



# Cash flow and shareholders' equity

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## Cash flow statement (NOK mill)

	Q3 2005	Q3 2004	30.09.2005	30.09.2004	31.12.2004
Net cash flow from operational activities	-17,1	-47,1	-55,5	-115,6	-33,0
Net cash flow from investment activities	-6,6	-3,8	-11,4	-9,5	-23,7
Net cash flow from financing activities	23,3	50,5	67,9	94,6	34,7
Net change in cash	-0,4	-0,4	0,9	-30,4	-22,1
Cash balance opening balance	31,4	22,1	30,1	52,1	52,1
<b>Cash balance closing balance</b>	<b>31,0</b>	<b>21,7</b>	<b>31,0</b>	<b>21,7</b>	<b>30,1</b>

## Shareholders' equity (NOK mill)

	30.09.2005	30.09.2004	31.12 2004
Shareholders' equity opening balance	129,2	148,2	148,2
Profit/loss for the year	-8,2	-52,4	-73,8
Conversion difference	-2,9	-0,6	-2,6
Share issue after issue costs	47,0	37,8	43,3
Change in minority interests	0,0	1,1	-1,1
Equity provided through options	3,6	11,4	15,2
<b>Shareholders' equity closing balance</b>	<b>168,7</b>	<b>145,4</b>	<b>129,2</b>



- **Limited growth in Nordic EMS market**
  - No expansion in Norway – limited availability of new products with large volume
  - Growth in Sweden – Kitron’s build-up expected to yield increased market share
  - Tough competition
- **Increased interest in outsourcing more stages in the manufacturing process (HLA)**
  - Kitron active in all stages of the value chain
- **Growth in microelectronics market expected to continue**

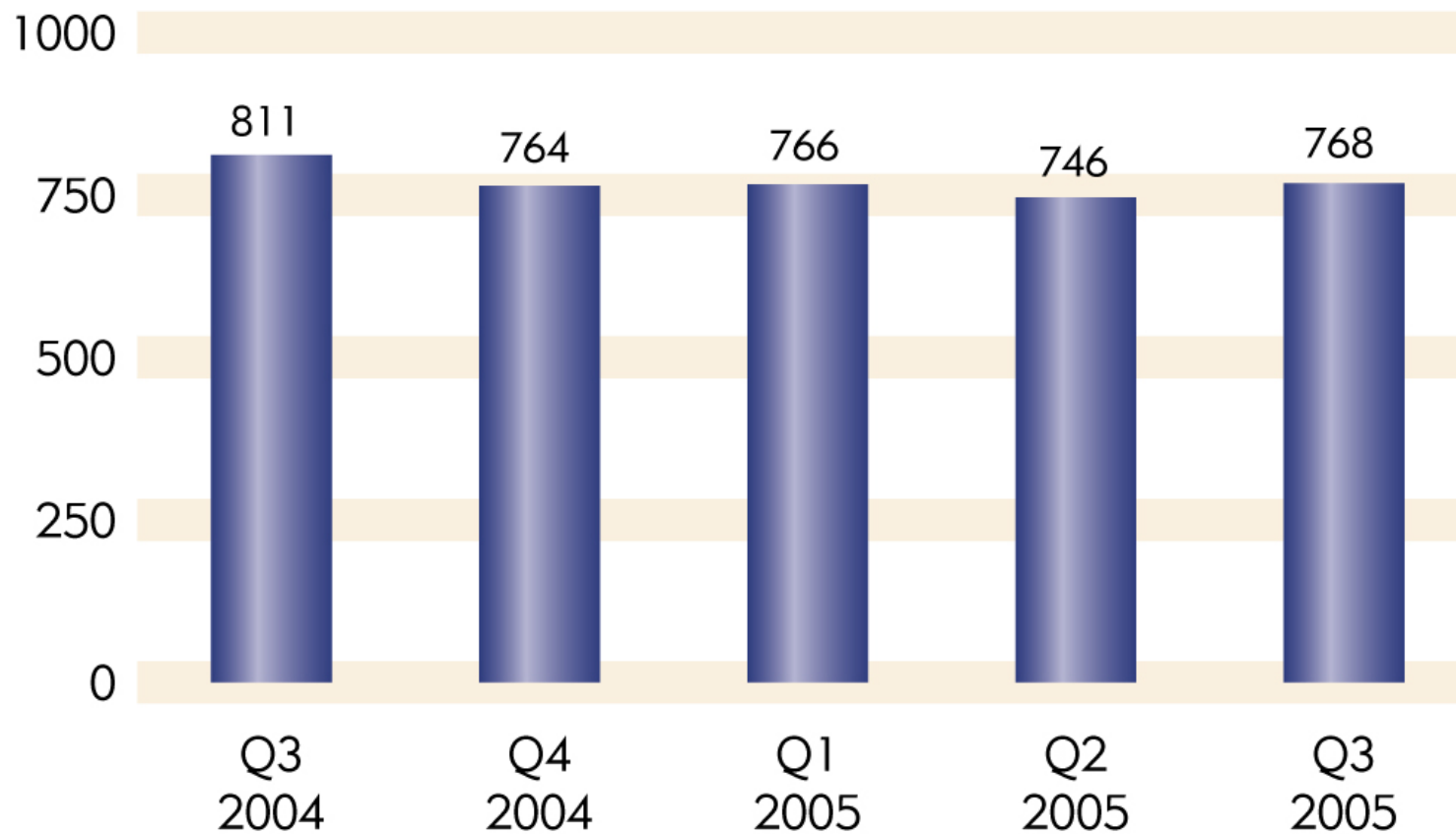


# Order backlog

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## DEVELOPMENT IN ORDER BACKLOG GROUP

NOK MILLION



Cutting costs through simpler structure





- **Falling sales over a long period**

- Reduced demand in the market
- More competition, particularly from Sweden, eastern Europe and Asia
- Increased pressure on prices



## **Excess capacity in the Norwegian business**

- **No growth expected in Norway over coming years**

- Must adapt to a stagnant market



## **Capacity needs to be cut**

- Analysis work began in June 2005



# Five key questions

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- **What is the necessary and sufficient capacity?**
- **Which customers have the biggest potential in relation to profitability?**
- **Which customers should be given priority?**
- **Which customers can be moved, and where to?**
- **Moving costs and necessary investment in premises?**



# From three to one factory for Kitron AS

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- **Production in Oslo terminated**
- **Production in Arendal concentrated at Hisøy**
- **Development activities left unchanged**
- **Improvement measures will also be considered for the Swedish business**





# Smaller cost base

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- **Closure of Oslo plant gives annual savings of NOK 29 mill**
  - 45 jobs cut
- **Concentrating production at Hisøy gives annual savings of NOK 22 mill**
  - 55 jobs cut (at both Kilsund and Hisøy)
- **Provision of NOK 55 mill charged to Q4 2005 accounts**



# Notice to EOGM – share issue

[www.kitron.com](http://www.kitron.com)

- The board of directors of Kitron ASA call in for an extraordinary general meeting on Friday 18 November 2005
- UAB Hermis Capital and Kongsberg Gruppen ASA will participate in any possible share issue
- The board of directors asks for authorisation to increase the company's share capital with up to NOK 16 million shares (10% issue)

# Prospects





# A more robust Kitron

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- **Smaller cost base**
- **Structural measures needed to achieve profitability**
- **Kitron's Lithuanian business becoming ever more important**
- **Norway and Sweden will remain main markets**
- **Continued commitment to microelectronics**



# Kitron - One step ahead

